



Assembly passes Power Authority bill – but FERC action inadequate

FERC acts, but effect unclear

A split U.S. Federal Energy Regulatory Commission approved Wednesday a plan to monitor California's electricity market and keep wholesale power costs under control during times of short supply. The plan also proposes that an escrow account be established to deposit funds – surcharges placed on each purchase of power made by the ISO – to repay the billions in debts energy companies claim are due. Comments on the surcharge must be received in 30 days.

Under the price-relief plan, which takes effect on May 1 and will last for one year, price mitigation measures will be imposed on California's wholesale power sales during stage one through stage three emergencies. The emergencies are called by state authorities during severe power shortages.

The three-member commission split sharply on the plan, voting 2-1 for an order the majority believe will calm the chaotic California power market. Democrat William Massey dissented.

Among the many measures contained in the order, FERC told California utilities to coordinate any temporary shut-downs of generating plants with the Cal ISO to ensure the state has adequate electricity supplies at all times.

The order also formally opened an investigation by commission staff into possible wholesale power market price abuses throughout the entire Western region.

And there's a second catch to the ruling. No price controls will take effect unless the state submits a plan to join a regional transmission organization (RTO) by June 1. The FERC on Wednesday agreed to a proposal by eight Western states for such a regional system, which would control parts of the transmission grids in those states. Officials at the state's ISO said Wednesday night they were studying the FERC order and wouldn't comment. Hebert insisted that the order does not backtrack on his view that the "best solutions to California's problem are market solutions."

U.S. Rep. Anna Eshoo, D-Palo Alto, today called FERC's proposal "inadequate."

"The FERC has two major responsibilities: to protect energy consumers in the country, and to...guarantee electricity rates are just and reasonable," she said. "If this were a test, the commission ... would earn an 'F.'"

Eshoo said last night's FERC proposal falls short of helping consumers and keeping skyrocketing prices from getting even higher this summer.

Message Points

SB 6X - California Power Authority

- As the Legislature struggles with the energy crisis, one thing is clear: we must never let again be held hostage to a group of profiteering bandits charging us ten times more than they did a year ago and to a federal regulatory system that has turned its back on us.
- That's why SB 6X, which will establish a California Power Authority, is so important.
- This Power Authority is our insurance policy. While we all continue hope that private power producers will become good corporate citizens and cease their gouging of our state, we must not count on that. This bill gives us the power to regain control over our own lives.
- The Authority will be the one state agency whose only purpose is to protect energy consumers. It will:
 - ✓ Finance energy efficiency and conservation programs to reduce demand.
 - ✓ Finance the retrofits of older plants so we can put them to use without adding to pollution.
 - ✓ Achieve an adequate energy reserve so we are not subject to manipulated shortages.
 - ✓ Finance natural gas transportation and storage.
 - ✓ **And, most importantly, if the private generators continue to prey like vultures on the state, the Authority will enable us to build our own public power plants.**
- Some Republicans say the state is not equipped to run a power plant, that the private sector does it better than government. But if you are one of the lucky people who gets your power from SMUD or LADWP or any one of dozens of municipally run utilities around the state, you know that public power works.
- This new law will not solve our problems this summer. For this summer, we must conserve, struggle to get new plants on line, hope for cool weather **and continue to demand that the federal government act to restore balance to the market.** Yesterday's actions don't change that.
- This bill looks forward to an energy future in which we, the people of the State of California, not corporate bandits, control our own destiny.

FERC order called “inadequate” to assist California

The California Democratic Congressional Delegation expressed disappointment over the recent Federal Energy Regulatory Commission’s (FERC) actions affecting California’s electric market.

“The FERC once again has completely missed the opportunity to assist California by establishing cost-of-service-based rates for electric energy in the Western Region,” said U.S. Representative Sam Farr, (D-Carmel) and Chairman of the California Democratic Congressional Delegation. “This order has fundamental flaws. It only applies during power emergencies. This is totally inadequate, we have excessive rates at all hours.”

In addition, it forces California consumers to pay prices far above the cost of generation and it applies only to California which could exacerbate potential energy shortages. This order provides no assurances that the cost of electricity in California this summer will be just and reasonable.

California spent \$45 million dollars per day on energy costs from January to March and \$73 million per day for the month of April. The California Independent System Operator estimated that California was overcharged \$6 billion for energy, but the FERC only calls for 2-3 percent of that to be refunded to Californians.

The FERC order also sets preconditions for the unrelated action of California turning over control of its transmission system to a FERC-created and -regulated entity.

The FERC order sets limits based on rates for the plants that are the most expensive to operate. This action ensures that everyone gets paid the highest price and it maintains incentives to withhold power and run dirty, inefficient generation. “This ensures that suppliers will get paid based on the most inefficient and most costly plants, this is the exact opposite of what should be happening,” said Farr.

On April 4, 2001, Members from California, Washington, and Oregon introduced H.R. 1468, the “Energy Price and Economic Stability Act of 2001,” which calls on the Administration to act to stabilize the dysfunctional wholesale power market in the Western United States by establishing cost-of-service-based rates for electric energy. This legislation was introduced after repeated requests for intervention by the FERC went unheeded.

Republicans oppose power bill

A day after California lost its high credit rating, the state’s financial health became more precarious Wednesday when Republican lawmakers, according to an article in the LA Times, threatened to block legislation aimed at quickly repaying the state budget for billions spent buying power.

Frustrated by their inability to extract information from Gov. Gray Davis, Assembly Republicans said they will oppose the repayment plan unless Davis reveals more details about the costs of the state’s emergency electricity purchases. Since January, the state has spent \$5.2 billion in general taxpayer money to buy electricity, and the amount is rising by an average of \$54 million a day.

Democrats pointed out that many state programs – including those near and dear to Republican hearts – are at risk. They pointed to a letter from the California Police Chiefs Association, pointing out that failure to pass legisla-

tion authorizing the sale of energy revenue bonds, there will not be enough money for the COPS program.

“...most police departments in California will be required to begin laying off officers on July 1,” the letter states.

State Treasurer Phil Angelides pleaded with legislators to pass the emergency measure this week, even before the Wall Street rating firm Standard & Poor’s downgraded the state’s credit rating Tuesday amid growing concerns about the financial fallout. Because of the lower rating, the state’s cost of selling some types of bonds will increase.

Assemblymembers seek to jail power price gougers

Power generators who manipulate the energy market could face prison time under a bill introduced by Assembly Democrats Thursday.

The measure would offer a million-dollar reward and whistleblower protection to anyone who provides evidence that energy providers have illegally driven up energy prices.

Generators would have to reimburse any overcharges, and pay a penalty of up to 10 percent of their corporate assets.

The bill, sponsored by Democratic Lt. Gov. Cruz Bustamante, faces stiff opposition from Republicans and generators. They say it would discourage new power suppliers just when the state needs the power most to stave off rolling blackouts this summer.

But Bustamante and Assemblymembers who will carry the bill said the measure is needed to discourage price gouging that is hurting the state’s economy.

The author, Assemblyman Dennis Cardoza, D-Atwater, said generators who don’t unfairly profit from California’s months long energy emergency won’t have to fear being prosecuted.

Cardoza acknowledged he still is trying to work out potential ambiguities in what would be considered illegal, and potential conflicting federal and state jurisdictions.



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